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FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9704
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS PRIORITY
RUEHLMC/MILLENNIUM CHALLENGE CORP PRIORITY 0061
RUEHBY/AMEMBASSY CANBERRA 2856
RUEHLM/AMEMBASSY COLOMBO 1173
RUEHKA/AMEMBASSY DHAKA 1141
RUEHNE/AMEMBASSY NEW DELHI 2073
RUEHKO/AMEMBASSY TOKYO 2312
RUEHWL/AMEMBASSY WELLINGTON 2913
RUEHHK/AMCONSUL HONG KONG 2856
RUEHBA/AMCONSUL PERTH 1009
RUEAIIA/CIA WASHDC
RUEAWJA/DEPT OF JUSTICE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHEFDIA/DIA WASHINGTON DC
RHMCSUU/FBI WASHINGTON DC
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RHHJJPI/USPACOM HONOLULU HI

C O N F I D E N T I A L SECTION 01 OF 02 JAKARTA 001484

SIPDIS

DEPT FOR EAP, EAP/MTS, EAP/MLS, INL
INL FOR SNYDER/BARCLAY
DEPT FOR EEB/IFD/OMA
DOJ/OPDAT FOR LEHMANN/ALEXANDRE/JOHNSON
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TREASURY FOR IA-BAUKOL
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DEPT PASS EXIM BANK
DEPT PASS USTR FOR BWEISEL, KEHLERS
MCC FOR M. LONGI
NSC FOR E.PHU

E.O. 12958: DECL: 08/05/2018
TAGS: [PGOV](#) [KJUS](#) [KCOR](#) [ID](#)
SUBJECT: HIGH-LEVEL OFFICIALS IMPLICATED IN BRIBERY SCANDAL

REF: JAKARTA 1465 AND PREVIOUS

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Classified By: Pol/C Joseph L. Novak, reasons 1.4(b+d).

11. (C) SUMMARY: Two members of President Yudhoyono's Cabinet, the ministers of National Development Planning and Forestry, have been implicated in the Bank Indonesia liquidity support (BLBI) corruption scandal. President Yudhoyono--who has made anti-corruption efforts a signature issue--has not defended the Ministers in any way, but has decided to keep them on until the investigation into the allegations concludes. Amid widespread media coverage of the case, Yudhoyono is taking some flak from those who think the two should resign immediately. END SUMMARY.

CABINET MINISTERS IMPLICATED

12. (SBU) The BLBI scandal continues to cast its net widely. Following the BLBI-linked conviction last week of a prominent influence peddler (see reftel), two Cabinet Ministers were newly implicated in the growing scandal. This happened when a lawmaker testified that National Development Planning (BAPPENAS) Minister Paskah Suzetta and Forestry Minister Malam Sambat Ka'ban had accepted approximately \$110,000 and \$37,000, respectively, in exchange for favorably amending a law when they were legislators. The testimony was delivered in court during the trial of a former Bank Indonesia (BI) official. Both Ministers strongly maintain their innocence.

A TANGLED CASE

13. (SBU) The long-running BLBI case is very complicated. In a nutshell, it essentially involves emergency liquidity credits extended by BI, Indonesia's central bank, to commercial banks during the financial crisis of 1997-98. Of the \$16 billion BLBI loans issued since 1997, approximately one-third were not repaid.

14. (SBU) The aspect of the tangled case involving the Cabinet Ministers took place in 2003. At this time, the Board of Governors of Bank Indonesia decided to disburse money from BI's Indonesian Banking Development Foundation (YPPI) to former BI officials and members of the finance committee of the House of Representatives (DPR). The BI decision to disburse these funds was clearly illegal, though that has not been adjudicated. In exchange for the money, the DPR members moved to revise the central bank law, expanding the role of the bank in maintaining price stability, and in regulating and supervising the financial sector. Current National Development Planning Minister Suzetta was chair of the DPR committee on finance at the time and Forestry Minister Ka'ban was a DPR member. (Note: Former Bank Indonesia governor Burhanuddin Abdullah is on trial for the misappropriation of \$11 million in BI funds in 2003--see reftels.)

PRESIDENT WANTS TO WAIT FOR INVESTIGATION

15. (SBU) Despite the serious allegations, President Yudhoyono has decided to keep the Cabinet Ministers on until the investigation into the matter concludes. Presidential spokesman Andi Mallarangeng said President Yudhoyono would

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respect the investigative and legal process, and would only act based on facts. Yudhoyono met with both Ministers on August 4 in the presence of the Attorney General and the National Police chief to discuss the allegations. Yudhoyono told the press after the meeting that he would wait until the investigation was complete before taking any action. He stressed: If they were involved in corruption, they would be let go.

THERE IS FLAK

16. (SBU) Yudhoyono is under criticism for allowing the Ministers to stay on. Opposition lawmakers from the Indonesian Democratic Party of Struggle (PDI-P) have loudly urged the President to immediately dismiss the two. Critics have asserted that Yudhoyono is not living up to his own promises to fight corruption and should take immediate action to get his house in order.

AN IMPORTANT CASE

17. (C) The BLBI case--which is getting increasing media attention--is critical for Indonesia's anti-corruption effort because it has many tentacles, involving so many in the elite world of business and government. The anti-corruption office, which goes by the acronym "KPK," has done a solid job of uncovering BLBI-linked corruption and continues to dig into the case. The case involving the Ministers is a tricky one for Yudhoyono. He relies on a loose coalition in order to govern and the two Ministers involved are members of parties in that coalition (Golkar and the Crescent Star Party, PBB). At the same time, fighting corruption has been a major theme of Yudhoyono's presidency and progress has been made on that front. If more revelations about the two come out, there is little doubt that he will have to get rid of them. He has done so in the past with other members of his administration who have been tarnished by allegations.

HUME